

**CITY OF ARNOLDS PARK
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND SCHEDULE OF FINDINGS
JUNE 30, 2007**

CITY OF ARNOLDS PARK

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CITY OF ARNOLDS PARK

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Mitchell	Mayor	December 31, 2007
Susan Munsen	Mayor Pro-Tem	December 31, 2007
Mitchell Watters	Council Member	December 31, 2009
Mike Koppert	Council Member	December 31, 2009
James D. Jensen	Council Member	December 31, 2007
Jason Christensen	Council Member	December 31, 2007
Ron Walker	Clerk Administrator	December 31, 2007
Doug Noble	City Treasurer	December 31, 2007
Harold White	City Attorney	December 31, 2007

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Arnolds Park, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, if any, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - cash basis of the reporting entity of the City of Arnolds Park as of June 30, 2007, and the changes in its financial position - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Arnolds Park at June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007 on our consideration of the City of Arnolds Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 16 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Arnolds Park's basic financial statements. The financial statements for the two years ended June 30, 2005 (which are not presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wintner, Stone & Co LLP

December 31, 2007

BASIC FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 541,017	\$ 77,768	
Public works	409,110	161,917	\$ 96,847
Culture and recreation	135,879	45,360	19,415
Community and economic development	99,155		
General government	367,160		
Debt service	829,771		
Capital projects	<u>1,484,140</u>		
Total governmental activities	<u>3,866,232</u>	<u>285,045</u>	<u>116,262</u>
Business-type activities:			
Water	268,327	260,997	
Sewer	<u>129,417</u>	<u>150,663</u>	
Total business-type activities	<u>397,744</u>	<u>411,660</u>	
TOTAL	\$4,263,976	\$ 696,705	\$ 116,262

General Receipts:

Property taxes levied for:

General purposes	
Tax increment financing collections	
Debt service	
Local option sales tax	
Hotel/motel tax	
Unrestricted interest on investments	
Miscellaneous	
Sale of assets	
Net transfers	

Total general receipts

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

Restricted:

Streets	
Urban renewal purpose	
Debt service	
Capital projects	
Unrestricted	

Total cash basis net assets

See Notes to Financial Statements

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursement) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	\$ (463,249)		\$ (463,249)
	(150,346)		(150,346)
	(71,104)		(71,104)
	(99,155)		(99,155)
	(367,160)		(367,160)
\$ 109,100	(720,671)		(720,671)
<u>844,694</u>	<u>(639,446)</u>		<u>(639,446)</u>
<u>953,794</u>	<u>(2,511,131)</u>		<u>(2,511,131)</u>
		\$ (7,330)	(7,330)
		<u>21,246</u>	<u>21,246</u>
		<u>13,916</u>	<u>13,916</u>
<u>\$ 953,794</u>			
	690,951		690,951
	587,696		587,696
	46,570		46,570
	231,280		231,280
	164,460		164,460
	7,765		7,765
	101,751		101,751
	80,146		80,146
	<u>15,000</u>	<u>(15,000)</u>	
	<u>1,925,619</u>	<u>(15,000)</u>	<u>1,910,619</u>
	(585,512)	(1,084)	(586,596)
	<u>5,749,127</u>	<u>65,282</u>	<u>5,814,409</u>
	<u>\$5,163,615</u>	<u>\$ 64,198</u>	<u>\$5,227,813</u>
	\$ 30,567		\$ 30,567
	56,258		56,258
	2,631,636		2,631,636
	2,010,466		2,010,466
	<u>434,688</u>	<u>\$ 64,198</u>	<u>498,886</u>
	<u>\$5,163,615</u>	<u>\$ 64,198</u>	<u>\$5,227,813</u>

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
RECEIPTS:			
Property tax	\$ 690,951		
Tax increment financing collections			\$587,696
Other city tax	164,460		
Licenses and permits	17,332		
Use of money and property	7,765		
Intergovernmental	19,415	\$ 96,847	
Charges for service	267,713		
Special assessments			
Miscellaneous	101,751		
TOTAL RECEIPTS	<u>1,269,387</u>	<u>96,847</u>	<u>587,696</u>
DISBURSEMENTS:			
Operating:			
Public safety	541,017		
Public works	309,764	99,346	
Culture and recreation	135,879		
Community and economic development	99,155		
General government	367,160		
Debt service			
Capital projects			
TOTAL DISBURSEMENTS	<u>1,452,975</u>	<u>99,346</u>	<u></u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(183,588)</u>	<u>(2,499)</u>	<u>587,696</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	215,000		
Operating transfers out	(10,500)		(619,635)
Sale of assets	20,146		
TOTAL OTHER FINANCING SOURCES (USES)	<u>224,646</u>	<u></u>	<u>(619,635)</u>
NET CHANGE IN CASH BALANCES	41,058	(2,499)	(31,939)
CASH BALANCES - BEGINNING OF YEAR	<u>356,829</u>	<u>33,066</u>	<u>88,197</u>
CASH BALANCES - END OF YEAR	<u>\$ 397,887</u>	<u>\$ 30,567</u>	<u>\$ 56,258</u>
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service			
Unreserved:			
General fund	\$ 397,887		
Special revenue funds		\$ 30,567	\$ 56,258
Capital projects fund			
TOTAL CASH BASIS FUND BALANCES	<u>\$ 397,887</u>	<u>\$ 30,567</u>	<u>\$ 56,258</u>

Exhibit B

<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
			\$ 690,951
			587,696
\$231,280			395,740
			17,332
	\$ 109,100	\$ 130,034	246,899
		674,438	790,700
			267,713
	46,570	12,879	59,449
		27,343	129,094
<u>231,280</u>	<u>155,670</u>	<u>844,694</u>	<u>3,185,574</u>
			541,017
			409,110
			135,879
			99,155
			367,160
	829,771		829,771
		1,484,140	1,484,140
	<u>829,771</u>	<u>1,484,140</u>	<u>3,866,232</u>
<u>231,280</u>	<u>(674,101)</u>	<u>(639,446)</u>	<u>(680,658)</u>
	554,500	90,635	860,135
(215,000)			(845,135)
		60,000	80,146
<u>(215,000)</u>	<u>554,500</u>	<u>150,635</u>	<u>95,146</u>
16,280	(119,601)	(488,811)	(585,512)
<u>20,518</u>	<u>2,751,240</u>	<u>2,499,277</u>	<u>5,749,127</u>
<u>\$ 36,798</u>	<u>\$2,631,639</u>	<u>\$2,010,466</u>	<u>\$5,163,615</u>
	\$2,631,639		\$2,631,639
			397,887
\$ 36,798			123,623
		<u>\$2,010,466</u>	<u>2,010,466</u>
<u>\$ 36,798</u>	<u>\$2,631,639</u>	<u>\$2,010,466</u>	<u>\$5,163,615</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service	\$248,727	\$148,210	\$396,937
Sales tax	6,636	2,453	9,089
Deposits	2,100		2,100
Miscellaneous	3,534		3,534
TOTAL OPERATING RECEIPTS	<u>260,997</u>	<u>150,663</u>	<u>411,660</u>
OPERATING DISBURSEMENTS:			
Business type activities:			
Personal services	40,114	13,019	53,133
Contractual services	9,728	112,098	121,826
Services and commodities	189,826	4,300	194,126
Sales tax	21,259		21,259
Deposit refund	1,085		1,085
Capital projects	6,315		6,315
TOTAL OPERATING DISBURSEMENTS	<u>268,327</u>	<u>129,417</u>	<u>397,744</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>(7,330)</u>	<u>21,246</u>	<u>13,916</u>
OTHER FINANCING SOURCES:			
Operating transfers out	<u>(10,000)</u>	<u>(5,000)</u>	<u>(15,000)</u>
TOTAL OTHER FINANCING USES	<u>(10,000)</u>	<u>(5,000)</u>	<u>(15,000)</u>
NET CHANGE IN CASH BALANCES	(17,330)	16,246	(1,084)
CASH BALANCES - BEGINNING OF YEAR	<u>36,824</u>	<u>28,458</u>	<u>65,282</u>
CASH BALANCES - END OF YEAR	<u>\$ 19,494</u>	<u>\$ 44,704</u>	<u>\$ 64,198</u>
CASH BASIS FUND BALANCES:			
Unreserved	<u>\$ 19,494</u>	<u>\$ 44,704</u>	<u>\$ 64,198</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 19,494</u>	<u>\$ 44,704</u>	<u>\$ 64,198</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Arnolds Park is a political subdivision of the State of Iowa located in Dickinson County. It operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Arnolds Park has included all funds, organizations, agencies, boards, commissions, and authorities. These financial statements present the primary government of the City of Arnolds Park but do not include component units or any other organizations, if any, for which it would be financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Commission, and Dickinson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for unspent local option sales tax receipts.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer.

C. Measurement Focus and Basis of Accounting

The City of Arnolds Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, public works, and community and economic development functions.

2. DEPOSITS AND POOLED INVESTMENTS

The City's deposits at June 30, 2007 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City did not have investments subject to risk categorization at June 30, 2007.

At June 30, 2007, \$2,580,771 was held in trust on behalf of the City from the \$2,930,000 proceeds of general obligation refunding bonds issued during the prior year. The funds are maintained by the trustee in insured deposit accounts and U.S. Treasury notes maturing from December 1, 2007 through June 1, 2008 and are included in Debt Service Fund cash balances at June 30, 2007.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 475,000	\$ 409,241
2009	495,000	395,439
2010	560,000	379,466
2011	540,000	362,164
2012	450,000	340,809
2013 - 2017	2,980,000	1,378,651
2018 - 2022	3,180,000	719,948
2023 - 2025	<u>750,000</u>	<u>111,779</u>
Total	<u>\$9,430,000</u>	<u>\$4,097,497</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2007, 2006, and 2005, were \$38,769, \$32,918, and \$31,030, respectively, equal to the required contribution for the year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2007 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 15,707

This liability has been computed based on rates of pay as of June 30, 2007.

As sick leave is not payable upon termination, retirement or death, the minimum accumulated sick leave is not presented as part of these financial statements.

6. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$43,058.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfers to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local option sales tax	<u>\$215,000</u>
Debt Service	General	10,500
	Special Revenue: Urban renewal - tax increment	<u>544,000</u>
		<u>554,500</u>
Capital Projects	Special Revenue: Urban renewal - tax increment	75,635
	Water	10,000
	Sewer	<u>5,000</u>
		<u>90,635</u>
		<u>\$860,135</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such actions will have no material impact on the City's financial condition.

9. CONSTRUCTION COMMITMENTS

At June 30, 2007, the City had construction contracts for street and park improvements totaling approximately \$231,261 of which approximately \$42,703 remained outstanding. The balance on the contracts will be paid as the projects progress.

The City has agreed to pay approximately \$700,000 for its share of a joint construction project with the State of Iowa. Although the project was completed in a prior fiscal year, the City has not been billed by the State.

10. SUBSEQUENT EVENTS

Subsequent to year end, the City entered into construction contracts for street projects totaling \$1,080,141 and issued \$2,000,000 of general obligation bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be Budgeted	<u>Net</u>
RECEIPTS:				
Property tax	\$ 690,951			\$ 690,951
Tax increment financing collections	587,696			587,696
Other city tax	395,740			395,740
Licenses and permits	17,332			17,332
Use of money and property	246,899		\$ 109,100	137,799
Intergovernmental	790,700			790,700
Charges for service	267,713	\$396,937		664,650
Special assessments	59,449			59,449
Miscellaneous	<u>129,094</u>	<u>14,723</u>		<u>143,817</u>
TOTAL RECEIPTS	<u>3,185,574</u>	<u>411,660</u>	<u>109,100</u>	<u>3,488,134</u>
DISBURSEMENTS:				
Public safety	541,017			541,017
Public works	409,110			409,110
Culture and recreation	135,879			135,879
Community and economic development	99,155			99,155
General government	367,160			367,160
Debt service	829,771		239,825	589,946
Capitol projects	1,484,140			1,484,140
Business-type activities		<u>397,744</u>		<u>397,744</u>
TOTAL DISBURSEMENTS	<u>3,866,232</u>	<u>397,744</u>	<u>239,825</u>	<u>4,024,151</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(680,658)	13,916	(130,725)	(536,017)
OTHER FINANCING SOURCES (USES) - NET	<u>95,146</u>	<u>(15,000)</u>		<u>80,146</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING SOURCES	(585,512)	(1,084)	(130,725)	(455,871)
BALANCES - BEGINNING OF YEAR	<u>5,749,127</u>	<u>65,282</u>	<u>2,711,497</u>	<u>3,102,912</u>
BALANCES - END OF YEAR	<u>\$5,163,615</u>	<u>\$ 64,198</u>	<u>\$2,580,772</u>	<u>\$2,647,041</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Net</u>
		<u>Variance</u>
\$ 667,998	\$ 667,998	\$ 22,953
599,635	599,635	(11,939)
368,048	400,548	(4,808)
8,000	8,000	9,332
50,000	55,000	82,799
203,030	223,030	567,670
591,000	591,000	73,650
37,500	37,500	21,949
<u>148,944</u>	<u>163,944</u>	<u>(20,127)</u>
<u>2,674,155</u>	<u>2,746,655</u>	<u>741,479</u>
498,377	530,877	(10,140)
377,785	402,785	(6,325)
186,280	196,280	60,401
87,500	95,000	(4,155)
406,168	406,168	39,008
590,157	590,157	211
1,919,139	1,919,139	434,999
<u>403,210</u>	<u>403,210</u>	<u>5,466</u>
<u>4,468,616</u>	<u>4,543,616</u>	<u>519,465</u>
(1,794,461)	(1,796,961)	1,260,944
		<u>80,146</u>
(1,794,461)	(1,796,961)	1,341,090
<u>2,885,629</u>	<u>2,885,629</u>	<u>217,283</u>
<u>\$1,091,168</u>	<u>\$1,088,668</u>	<u>\$1,558,373</u>

CITY OF ARNOLDS PARK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$75,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the following functions: public safety, public works, and community and economic development.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Capital Notes:			
Street improvement	March 1, 1996	3.80 - 5.30%	\$ 600,000
Essential Corporate Purpose	June 1, 1998	4.55 - 4.70%	390,000
General Obligation Bonds:			
Essential Corporate Purpose	July 1, 2000	5.10 - 5.50%	3,000,000
Urban renewal	May 1, 2003	2.30 - 4.30%	2,300,000
Essential corporate purpose	October 1, 2005	3.75 - 4.375%	1,585,000
General Obligation Refunding Capital Notes:			
Essential corporate purpose	March 1, 2003	2.50 - 3.45%	850,000
General Obligation Refunding Bonds:			
Essential corporate purpose	October 1, 2005	3.30 - 4.05%	2,930,000

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 10,000		\$ (10,000)		\$ 530	
140,000		(35,000)	\$ 105,000	6,440	
2,650,000		(100,000)	2,550,000	139,825	
2,075,000		(80,000)	1,995,000	76,437	
1,585,000			1,585,000	65,949	
630,000		(75,000)	555,000	17,955	
<u>2,760,000</u>		<u>(120,000)</u>	<u>2,640,000</u>	<u>102,635</u>	
<u>\$9,850,000</u>		<u>\$ (420,000)</u>	<u>\$9,430,000</u>	<u>\$409,771</u>	

CITY OF ARNOLDS PARK
BOND AND NOTE MATURITIES
JUNE 30, 2007

General Obligation Bonds and Notes								
Essential Corporate Purpose								
Year Ending June 30,	Issued 6-1-1998		Issued 7-1-2000		Issued 3-1-2003		Issued 10-1-2005	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2008	4.55%	\$ 35,000	5.10%	\$ 100,000	2.50%	\$130,000		
2009	4.65	35,000	5.10	100,000	2.80	130,000		
2010	4.70	35,000	5.10	150,000	3.05	135,000		
2011			5.10	150,000	3.25	130,000		
2012			5.10	150,000	3.45	30,000		
2013			5.15	200,000			3.75%	\$ 100,000
2014			5.20	200,000			3.80	95,000
2015			5.25	200,000			3.90	90,000
2016			5.30	250,000			4.00	5,000
2017			5.35	250,000			4.00	10,000
2018			5.40	250,000			4.10	15,000
2019			5.50	275,000			4.125	10,000
2020			5.50	275,000			4.125	25,000
2021							4.15	250,000
2022							4.20	235,000
2023							4.25	300,000
2024							4.30	350,000
2025							4.375	100,000
TOTALS		<u>\$105,000</u>		<u>\$2,550,000</u>		<u>\$555,000</u>		<u>\$1,585,000</u>

General Obligation Bonds and Notes

Essential Corporate Purpose
Urban Renewal
Issued 10-1-2005
Issued 3-1-2003

<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
3.30%	\$120,000	2.30%	\$ 90,000	\$ 475,000
3.35	120,000	2.65	110,000	495,000
3.45	165,000	3.00	75,000	560,000
3.55	165,000	3.20	95,000	540,000
3.60	165,000	3.30	105,000	450,000
3.65	210,000	3.40	80,000	590,000
3.70	210,000	3.50	95,000	600,000
3.75	205,000	3.60	110,000	605,000
3.80	255,000	3.75	75,000	585,000
3.85	250,000	3.90	90,000	600,000
3.90	245,000	4.00	110,000	620,000
4.00	265,000	4.05	100,000	650,000
4.05	265,000	4.10	120,000	685,000
		4.20	420,000	670,000
		4.30	320,000	555,000
				300,000
				350,000
				100,000
	<u>\$2,640,000</u>		<u>\$1,995,000</u>	<u>\$9,430,000</u>

CITY OF ARNOLDS PARK
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FOUR YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:				
Property tax	\$ 690,951	\$ 561,051	\$ 533,685	\$ 515,415
Tax increment financing collections	587,696	609,254	636,830	574,591
Other city tax.....	395,740	328,165	355,572	327,238
Licenses and permits.....	17,332	12,669	14,911	7,971
Use of money and property	246,899	174,565	38,828	37,587
Intergovernmental.....	790,700	1,380,240	120,886	134,136
Charges for services.....	267,713	178,327	159,328	162,807
Special assessments.....	59,449	56,836	59,403	62,830
Miscellaneous	<u>129,094</u>	<u>221,886</u>	<u>507,963</u>	<u>294,707</u>
TOTAL	<u>\$3,185,574</u>	<u>\$3,522,993</u>	<u>\$2,427,406</u>	<u>\$2,117,282</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 541,017	\$ 475,152	\$ 592,769	\$ 528,822
Public works	409,110	356,311	346,028	334,328
Culture and recreation.....	135,879	126,096	100,940	137,317
Community and economic development	99,155	84,353	101,098	116,042
General government.....	367,160	357,747	337,188	309,483
Debt service.....	829,771	864,169	552,752	530,304
Capital projects	<u>1,484,140</u>	<u>1,944,811</u>	<u>950,488</u>	<u>1,139,304</u>
TOTAL	<u>\$3,866,232</u>	<u>\$4,208,639</u>	<u>\$2,981,263</u>	<u>\$3,095,600</u>

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Operating</u>	<u>Special Electric</u>
RECEIPTS:		
Property tax	\$ 690,951	<u> </u>
Other city tax - hotel/motel tax	164,460	<u> </u>
Licenses and permits	17,332	<u> </u>
Use of money and property - interest on investments	7,765	<u> </u>
Intergovernmental:		
County library contributions	10,143	<u> </u>
Library grant	9,272	<u> </u>
Total intergovernmental	19,415	<u> </u>
Charges for services:		
Residential garbage	79,744	<u> </u>
Commercial garbage	58,367	<u> </u>
Sales tax	4,342	<u> </u>
Garbage bags	17,349	<u> </u>
Miscellaneous	2,115	<u> </u>
Park rental	25,040	<u> </u>
Fire protection reimbursement	60,436	<u> </u>
Boat slips	20,320	<u> </u>
Total charges for services	267,713	<u> </u>
Miscellaneous:		
Cable TV fee	12,707	<u> </u>
Fines	33,079	<u> </u>
Miscellaneous	36,718	<u> </u>
Beautification donation	15,777	<u> </u>
Total miscellaneous	98,281	<u> </u>
 TOTAL RECEIPTS	 <u>1,265,917</u>	 <u> </u>

Schedule 4

<u>Equipment Revolving</u>	<u>Employee Benefits</u>	<u>Total</u>
		\$ 690,951
		164,460
		17,332
		7,765
		10,143
		9,272
		19,415
		79,744
		58,367
		4,342
		17,349
		2,115
		25,040
		60,436
		20,320
		267,713
		12,707
		33,079
\$ 3,470		40,188
		15,777
3,470		101,751
3,470		1,269,387

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH TRANSACTIONS - Continued
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Operating</u>	<u>Special Electric</u>
DISBURSEMENTS:		
Public safety:		
Police:		
Personal services	\$ 302,565	
Commodities	48,053	
Capital outlay	<u>5,702</u>	
Total police	<u>356,320</u>	
Fire:		
Personal services	35,646	
Commodities	43,456	
Capital outlay	<u>25,197</u>	
Total fire	<u>104,299</u>	
Animal control	<u>2,400</u>	
Total public safety	<u>463,019</u>	
Public works:		
Street:		
Personal services		
Commodities	68,206	
Capital outlay		
Total street	<u>68,206</u>	
Street lighting - commodities	<u>53,562</u>	
Sanitary sewer - personal services	<u>7,715</u>	
Solid waste:		
Contractual services	128,606	
Commodities	<u>9,419</u>	
Total solid waste	<u>138,025</u>	
Total public works	<u>267,508</u>	
Culture and recreation:		
Library:		
Personal services	36,545	
Contractual services	11,494	
Commodities	<u>25,879</u>	
Total library	<u>73,918</u>	
Parks and recreation:		
Personal services	23,526	
Commodities	15,120	
Capital outlay	<u>15,843</u>	
Total parks and recreation	<u>54,489</u>	
Total culture and recreation	<u>128,407</u>	
Community and economic development:		
Tourism - contractual services	82,230	
Beautification - commodities	<u>16,925</u>	
Total community and economic development	<u>99,155</u>	

Schedule 4

<u>Equipment Revolving</u>	<u>Employee Benefits</u>	<u>Total</u>
	\$ 38,469	\$ 341,034
		48,053
\$ 38,949		44,651
<u>38,949</u>	<u>38,469</u>	<u>433,738</u>
	580	36,226
		43,456
		25,197
	<u>580</u>	<u>104,879</u>
		2,400
<u>38,949</u>	<u>39,049</u>	<u>541,017</u>
	2,634	2,634
		68,206
38,047		38,047
<u>38,047</u>	<u>2,634</u>	<u>108,887</u>
		53,562
	<u>1,575</u>	<u>9,290</u>
		128,606
		9,419
		138,025
<u>38,047</u>	<u>4,209</u>	<u>309,764</u>
	4,897	41,442
		11,494
		25,879
	<u>4,897</u>	<u>78,815</u>
	2,575	26,101
		15,120
		15,843
	<u>2,575</u>	<u>57,064</u>
	<u>7,472</u>	<u>135,879</u>
		82,230
		16,925
		<u>99,155</u>

See Accompanying Independent Auditors' Report

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH TRANSACTIONS - Continued
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Operating</u>	<u>Special Electric</u>
DISBURSEMENTS:		
General government:		
Mayor and council members - personal services	\$ 6,645	_____
City hall:		
Personal services	138,580	_____
Commodities	101,593	_____
Total city hall	240,173	_____
Legal and professional - contractual services	50,817	_____
Insurance - contractual services	52,592	_____
Total general government	350,227	_____
 TOTAL DISBURSEMENTS	 1,308,316	 _____
 EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	 (42,399)	 _____
OTHER FINANCING SOURCES (USES):		
Operating transfers in (out)	98,279	\$ 24,343
Sale of assets	_____	_____
TOTAL OTHER FINANCING SOURCES	98,279	24,343
 NET	 55,880	 24,343
 CASH BALANCES - BEGINNING OF YEAR	 270,468	 72,399
 CASH BALANCES - END OF YEAR	 \$ 326,348	 \$ 96,742

Schedule 4

<u>Equipment Revolving</u>	<u>Employee Benefits</u>	<u>Total</u>
<u> </u>	<u> </u>	<u>\$ 6,645</u>
	\$ 16,933	155,513
		<u>101,593</u>
<u> </u>	<u>16,933</u>	<u>257,106</u>
<u> </u>	<u> </u>	<u>50,817</u>
<u> </u>	<u> </u>	<u>52,592</u>
<u> </u>	<u>16,933</u>	<u>367,160</u>
 <u>\$ 76,996</u>	 <u>67,663</u>	 <u>1,452,975</u>
 <u>(73,526)</u>	 <u>(67,663)</u>	 <u>(183,588)</u>
 35,000	46,878	204,500
<u>20,146</u>	<u> </u>	<u>20,146</u>
<u>55,146</u>	<u>46,878</u>	<u>224,646</u>
 (18,380)	 (20,785)	 41,058
<u>37,493</u>	<u>(23,531)</u>	<u>356,829</u>
 <u>\$ 19,113</u>	 <u>\$ (44,316)</u>	 <u>\$ 397,887</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 31, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Arnolds Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, one of which we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be

prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Arnolds Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Arnolds Park and other parties to whom the City of Arnolds Park may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Arnolds Park during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



December 31, 2007

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements

Significant Deficiencies:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

- I-B-07 Reconciliation of Utility Billings - Utility billings were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings and collection for each billing period. The City administration should review the reconciliations.

Response - We will consider this.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were reported.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Statutory Reporting

II-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, public works, and community and economic development functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-07 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-07 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions - There were no business transactions between the City and City officials or employees noted.

II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-07 Revenue Notes - The City had no revenue notes outstanding during the year.

II-H-07 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Statutory Reporting - Continued

- II-I-07 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution was exceeded for one financial institution during the year ended June 30, 2007.

Recommendation - We recommend amounts deposited in financial institutions be regularly viewed for compliance with the depository resolution.

Response - The maximum deposit amount was temporarily exceeded due to the receipt of tax revenues. We will regularly review financial institution account balances for compliance with the depository resolution.

Conclusion - Response accepted.

- II-J-07 Publication of Wages - Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978 require the publication of actual gross salaries for all employees. The City did not publish the actual gross salaries of its employees during the year ended June 30, 2007.

Recommendation - We recommend the City publish the actual gross salaries of all employees on an annual basis.

Response - We will publish the actual gross salaries of all employees annually.

Conclusion - Response accepted.